DOCUMENT RESUME

ED 190 434 SO 012 744

AUTHOR	Turner, Elaine
TITLE	Choosing A Financial Institution. Teacher's Guide [and] Student Material.
INSTITUTION	Project Consumer Operations Survival Training (COST), Easton, Kans.
SPONS AGENCY	Kansas State Dept. of Education, Topeka.
PUB DATE	[78]
NOTE	51p.: For a listing of related documents, see SO 012 734. Not available from EDRS in paper copy due to fading ink throughout original document.
EDRS PRICE	MF01 Plus Postage. PC Not Available from EDRS.
DESCRIPTORS	*Banking: *Business Education: *Comparative Analysis: *Consumer Education: *Decision Making Skills: Home Economics Education: Learning Activities: Secondary Education: Social Studies: Teacher Developed Materials: Teaching Guides: Teaching Methods: Units of Study
IDENTIFIERS	Project Consumer Operations Survival Training

ABSTRACT

This document provides teaching guidelines and student material for a unit intended for use in high school business, consumer, or home economics programs. Time allotment is from four to six hours of classroom time. The objective of this capsule is to help students determine the financial institution that would best meet their needs. The student material focuses on five factors to consider when choosing a financial institution: convenience, interest paid on savings, service charges, safety of deposits, and interest charged on loans. Ten learning activities emphasize comparing various kinds of financial institutions through working mathematical problems, collecting newspaper ads, interpreting charts, answering questions, summarizing magazine articles, and playing a simulation game. Five supplementary activities include categorizing local banks, creating a comic strip, planning a bulletin board, and doing research. It is recommended that the unit follow another unit developed by Project Consumer Operations Survival Training (COST): Financial Institutions Investigated (SO 012 749). The teacher's guide provides advance preparation information, keys to activities and tests, a bibliography, and copies of all worksheets and assessments. (CK)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

ED190434

CHOOSING A FINANCIAL INSTITUTION

TEACHER'S GUIDE

U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
NATIONAL INSTITUTE OF EDUCATION

THIS DOCUMENT HAS BEEN REPRODUCED EXACTLY AS RECEIVED FROM THE PERSON OR ORGANIZATION ORIGINATING IT. POINTS OF VIEW OR OPINIONS STATED DO NOT NECESSARILY REPRESENT OFFICIAL NATIONAL INSTITUTE OF EDUCATION POSITION OR POLICY

"PERMISSION TO REPRODUCE THIS MATERIAL IN MICROFICHE ONLY HAS BEEN GRANTED BY

KSDE

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

SP 012 744

Developed By:
Elaine Turner

As Part of
Project COST
ESEA Title IV
Kansas State Dept. of Education
USD 449
Easton, KS 66020

SPECIAL INSTRUCTIONS

For some activities, advance preparation needs to be made by the teacher.

Activity 2

Ads collected for Activity 9 of Financial Institutions Examined should be returned to the students. It is advisable, too, to collect from several financial institutions, brochures advertising the interest rates paid on savings certificates. These should be placed in an expandable folder in the front of the room.

Activity 4

After students complete Activity 4, if you feel they need additional instruction and drill on computing interest, you may duplicate and use Supplementary Activity Sheet 4 which follows:

SUPPLEMENTARY ACTIVITY SHEET 4.

Simple Interest

Simple interest may be found by using the formula, $I = p \times r \times t$.

I = interest
p = principal
r = rate
t = time

Example: Find the amount of interest on a $200 loan for four months at the rate of 12% per year.

I = prt
I = 200 x 12% x 4/12
I = 8

$$\begin{array}{r} 200 \\ \times\ .12 \\ \hline 400 \\ 2000 \\ \hline 24.00 \end{array} \qquad \begin{array}{l} 4/12 = 1/3 \\ \\ 1/3 \times 24 = \$8 \end{array}$$

Using the formula above, find the correct amount of interest for each of the following:

1. How much interest will be due on a six-month loan of $1,000 at the annual rate of 9%?

_____ _____Answer

2. What will the interest be on an 8-month loan of $800 if 11% interest is charged?

_____Answer

3. If a $1200 loan is made at an annual rate of 10%, how much interest will be due at the end of nine months?

_____Answer

SUPPLEMENTARY ACTIVITY SHEET 4a

Compound Interest

When interest is figured each day, and the interest is added on before the next day's interest is figured, this results in more interest than simple interest would give.

Using the formula given in Supplementary Activity Sheet 4 and the chart of effective annual rates in your capsule, find the correct amount of interest for each of the following:

4. How much interest will be paid at the end of two years on a $200 savings account compounded daily at the annual rate of 5½%? ($200 x 5.39% x 2= _____)

_____Answer

5. What will be the interest paid after eight months on a $700 savings account if 6% is paid and compounded daily?

_____Answer

6. If a $1000 savings account is compounded daily at a rate of 5½%, how much interest will be paid after six months?

_____Answer

Activity 8

From books and magazines available to you, make a listing of articles for students to summarize. A few suggestions are given below:

"Share Drafts--a New Way to Bank", p.3
Everybody's Money, Spring, 1979

"How to Get Along with Your ATM", p. 9
Everybody's Money, Spring, 1979

"Future Money" p. 24, Current Consumer,
Volume 3, No. 6, February, 1979

"An Interesting Account. ." p. 26,
Current Consumer, Volume 3, No. 4, December, 1978

"When You Don't Want to Carry Cash" p. 22
Current Consumer, Volume 3, No. 3, November, 1978

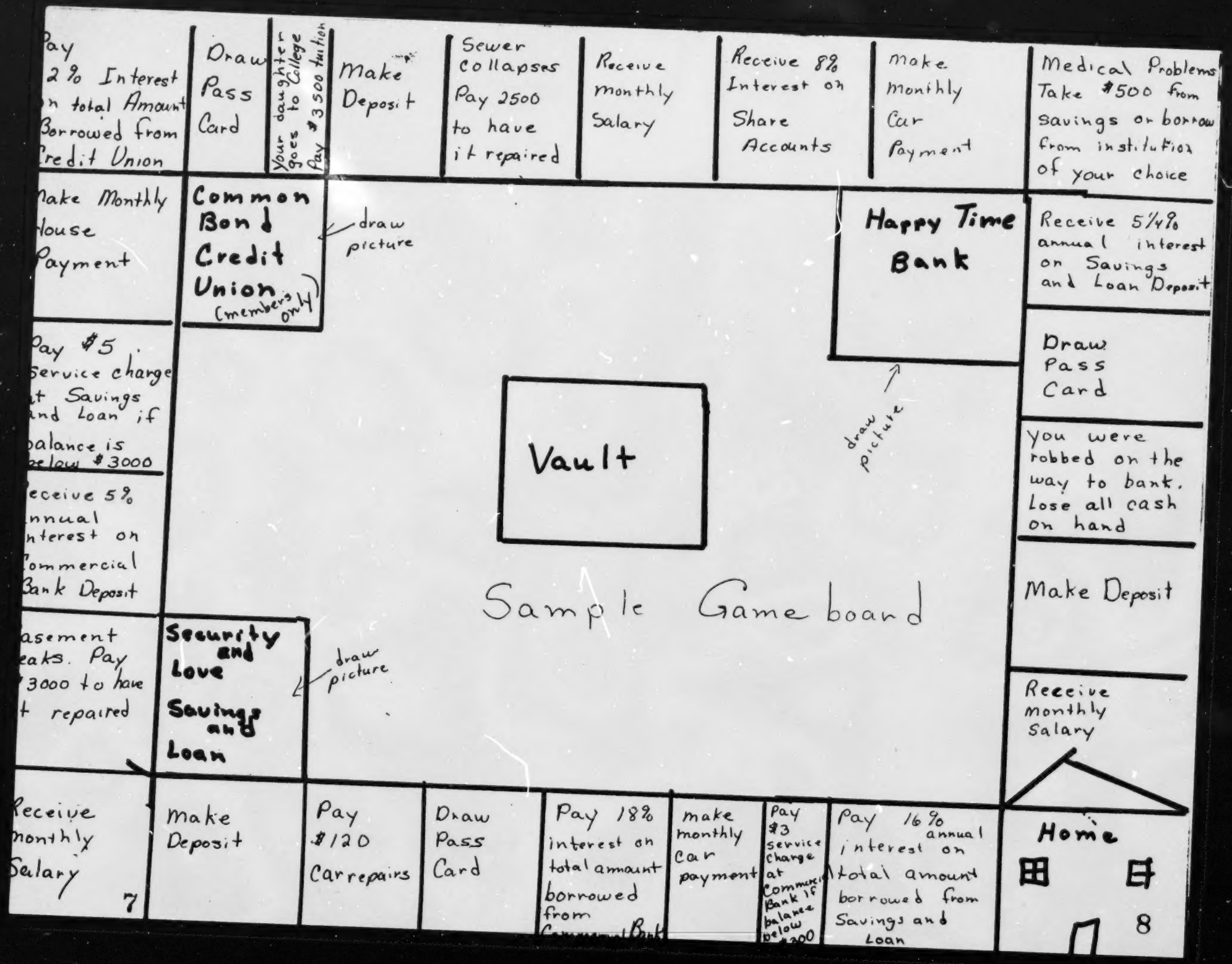
Activity 9 and Activity 7

Activity Sheets 11 and 12 from Financial Institutions Investigated should be placed in the expandable folder.

Activity 10

The game rules for this activity have been placed in the student capsule. A sample gameboard follows here along with information for pass cards and life situation cards. The "life situation form" is also in the student capsule.

It is suggested that the gameboard be done on a large piece of cardboard. Additional squares can be added. Think up additional directions or simply duplicate the ones shown here.


Pay 2% Interest on total Amount Borrowed from Credit Union
Draw Pass Card
Your daughter goes to College Pay $3500 tuition
Make Deposit
Sewer collapses Pay 2500 to have it repaired
Receive monthly Salary
Receive 8% Interest on Share Accounts
make Monthly Car Payment
Medical Problems Take $500 from savings or borrow from institution of your choice
Make Monthly House Payment
Common Bond Credit Union (members only)
draw picture
Happy Time Bank
Receive 5¼% annual interest on Savings and Loan Deposit
Pay $5 service charge at Savings and Loan if balance is below $3000
Draw Pass Card
draw picture
Vault
Receive 5% annual interest on Commercial Bank Deposit
you were robbed on the way to bank. Lose all cash on hand
Sample Game board
Basement leaks. Pay $3000 to have it repaired
Security and Love Savings and Loan
draw picture
Make Deposit
Receive monthly Salary
Receive monthly Salary
7
Make Deposit
Pay $120 Car repairs
Draw Pass Card
Pay 18% interest on total amount borrowed from Commercial Bank
make monthly Car payment
Pay $3 service charge at Commercial Bank if balance below $300
Pay 16% annual interest on total amount borrowed from Savings and Loan
Home
8

Pass Cards

free checking with no minimum balance	free checking with no minimum balance	free checking with no minimum balance
You may join Common Bond Credit Union for $5	You may join Common Bond Credit Union for $5	You may join Common Bond Credit Union for $5
Credit rating excellent	Credit rating excellent	Credit rating excellent
Credit rating excellent	You may join Common Bond Credit Union for $5	free checking with no minimum balance

Copy each of these LIFE SITUATION CARDS on a separate card Use one color for housing, another for auto, and still another for income and occupation.

AUTO CARDS

You drive a '79 Pinto; the car payment is $200 per month	You have a '78 Rabbit; car payment is $175 per month
You drive a 1980 Citation; the payments are $300 per month	You drive a '77 Monte Carlo and have $250 per month car payments
Wow! Just made the last car payment!	You are the proud owner of a '79 Chevy Santana; the payments are $320 per month
Cost of gasoline too high--sold the car and will roller skate to work!	

HOUSING CARDS

You live in a quaint little duplex; your house payment is $150 per month	You live in a modern A-frame; house payment is $280 per month
Your ranch style house in the country costs you $400 per month	The payments on your three-bedroom condominium are $450 per month

HOUSING CARDS, cont.

You live in a two-year-old tri-level; the payments are $320 per month	Your 20-year-old bungalo is only $120 per month

INCOME AND OCCUPATION CARDS

You are a fish hatchery worker and earn $710 per month.	You are a disc jockey and earn $1,300 per month.
You are a termite exterminator and earn $750 per month.	You are an audit clerk and earn $540 per month.
You are a bulldozer operator and earn $1,900 per month.	You are a horse breeder and earn $600 per month.
You are a hospital administrator and earn $1,400 per month	You are a dentist and earn $3,150 per month.

Key to Pretest

1. T	5. F	9. C
2. F	6. T	10. A
3. T	7. F	
4. F	8. F	

KEYS TO ACTIVITIES

Activity I

Students' answers will vary. Some possibilities are:

People are not as well acquainted with savings and loans and credit unions as they are with commercial banks.

Convenience offered by commercial banks is more important than higher interest rates.

Activity 2

Students' answers will vary. Check their answers against the ads and brochures they used.

Activity 3

Answers will vary according to information recorded on chart.

They should select the institution that pays the most interest.

Activity 4

1. $9
2. $ .36

Supplementary Activity Sheet 4

1. $45
2. $58.67
3. $90
4. $21.56
5. $28.84
6. $28.25

Activity 5

Answers will vary.

Activity 6

$200	12	It is more economical to leave $200
x .08	x 3	in checking account.
$16.00	$36	

Service Charge Activities

1. $1.80
2. $2.24
3. 0
4. $3.75
5. $2.12

Activity 7

Answers will vary. Check computations carefully.

Activity 8

Check to see if all pertinent information is given.

Activity 9

Answers will vary. Check chart with reply and interview sheets.

Key to Post-Test

1. T
2. F
3. T
4. F
5. F
6. T
7. F
8. F

9. C
10. A
11. B
12. C
13. C
14. C

15.-18. The five factors mentioned in the capsule are:

(1) convenience

(2) interest paid on savings

(3) depositor's insurance (or safety of deposit)

(4) interest charged on loans

(5) service charges

19.-20.-21. Answers will vary. (Score these subjectively or leave off for scoring.)

BIBLIOGRAPHY

A Classroom Guide to Credit Unions, Credit Union National Association, Inc., P. O. Box 431, Madison, Wisconsin 53701

Consumer Handbook to Credit Protection Laws, Board of Governors of Federal Reserve System, Washington, DC 20551, December, 1978

Current Consumer, Vol. 2, No. 1, September, 1977, "Financial Institutions"

Dritas, Linda, Understanding Banks and Banking, J. Weston Walch, 1978

"Credit Unions--Fifty Years of Service", Kansas City Star, October 9, 1978

Huffman, Twiss, and Williams, Math for Business Careers, 4th Edition McGraw-Hill Book Company, New York, New York

MMI Memo, Spring, 1979, Money Management Institute, Household Finance Corporation, 2700 Sanders Road, Prospect Heights, Illinois 60070

Troelstrup, Arch W.; Hall, E. Carl; The Consumer in American Society 6th Edition, McGraw-Hill Book Company, New York, N. Y.

APPENDIX

This appendix contains copies of all worksheets and assessments. These copies may be used to make your own classroom quantity copies. To use, unstaple the sides of the teacher's guide and remove the worksheet and assessment pages. Restaple the remaining pages of the teacher's guide.

Name _____ Date _____

CHOOSING A FINANCIAL INSTITUTION

PRE-TEST

True-False. Place the letter T in the blank preceeding each true statement; place the letter F in front of those statements which are false.

_____ 1. Deposits in a commercial bank are usually insured by the FDIC.

_____ 2. Deposits in a credit union cannot be insured.

_____ 3. The financial institution that usually pays the highest rate of interest on savings is a credit union.

_____ 4. Other things being equal, interest figured once a year and interest figured every day will come out the same at the end of the year.

_____ 5. A certificate of deposit is another name for the passbook you receive when you open a savings account.

_____ 6. Financial institutions charge a fee for all services.

_____ 7. All financial institutions charge the same rate of interest on loans.

_____ 8. Banks follow a uniform chart for determining service charges on checking.

Multiple Choice. Place in the blank preceding each question the letter of the item that best answers the question.

_____ 9. How much interest will a $200 deposit earn in one month if the interest rate is 5%?

a. $4.00
b. $10.00
c. $ .83

_____ 10. Deposits in most savings and loan associations are insured by

a. FDIC
b. FSLIC
c. Federal Reserve System
d. Department of the Treasury

Name _____ Date _____

Teacher _____ Grade _____

School _____

CHOOSING A FINANCIAL INSTITUTION

POST-TEST

True-False. Place a T in the space preceding each true statement; place an F in front of those items that are false.

_____ 1. Deposits in a commercial bank are usually insured by the FDIC.

_____ 2. Deposits in a credit union cannot be insured.

_____ 3. The financial institution that usually pays the highest rate of interest on savings is a credit union.

_____ 4. Other things being equal, interest figured once a year and interest figured every day will come out the same at the end of the year.

_____ 5. A certificate of deposit is another name for the passbook you receive when you open a savings account.

_____ 6. Financial institutions charge a fee for all services.

_____ 7. Banks follow a uniform chart for determining service charges on a checking account.

CHOOSING A FINANCIAL INSTITUTION

POST-TEST (CON'T-- PAGE 2)

Multiple Choice. Place in the blank preceding each question the letter of the item that best answers the question.

_____ 8. How much interest will a $200 deposit earn in one month if the interest rate is 5%?

a. $4.00
b. $10.00
c. $ .83

_____ 9. Deposits in most savings and loan associations are insured by

a. FDIC
b. FSLIC
c. Federal Reserve System
d. Department of the Treasury

_____10. In which type of account is a deposit of at least $500 required?

a. share account
b. certificate of deposit
c. passbook savings account

_____11. Deposits in most financial institutions are insured up to what amount?

a. $24,000
b. $30,000
c. $40,000

_____12. Which financial institution will usually charge the least amount of interest on a short-term loan?

a. Commercial Bank
b. Savings and Loan
c. Credit Union

_____13. In which institution must you be a member before you can borrow or save there?

a. Commercial Bank
b. Savings and Loan
c. Credit Union

CHOOSING A FINANCIAL INSTITUTION

(CON'T --PAGE 3)

Put a (✓) on the line beside those factors that should be considered when choosing a financial institution.

_____ 14. safety of deposit

_____ 15. interest charged on loans

_____ 16. convenience

_____ 17. recommendation by friends

_____ 18. interest paid on savings

_____ 19. size of bank

_____ 20. service charges

RECORD SHEET

CHOOSING A FINANCIAL INSTITUTION

Students' Name	Pre-Test	Activity 1	Activity 2	Activity 3	Activity 4	Supp. Activity 4	Activity 5	Activity 6	Service Charge Activities	Activity 7	Comments

RECORD SHEET

CHOOSING A FINANCIAL INSTITUTION

Students' Name

	Activity 8	Activity 9	Activity 10	Self-Check	Quest Activity	Quest Activity	Post-Test	Comments

Name _____ Date _____

ACTIVITY 2

	Name of Institution	Minimum Balance ($)	Rate Available (%)
One-Year Certificate			
Savings and Loan #1			
Savings and Loan #2			
Commercial Bank #1			
Commercial Bank #2			
_____-Year Certificate			
Savings and Loan			
Commercial Bank			
_____-Year Certificate			
Savings and Loan			
Commercial Bank			
Credit Union Share Accts.			

Name _____ Date _____

Activity 4 Worksheet

1. How much more interest is earned on $5,000 at 6% if it is compounded daily instead of semi-annually?

(Compounded daily)

(6% annual rate = 6.27% effective rate)

$5,000 X .0627 = _____
interest for one year

(Compounded semi-annually)

$5,000 X .06 x 1/2 = _____(a)

$5,000 + _____(a) = _____(b)

_____(b) X .06 X 1/2 = _____(c)

_____(a) + _____(c) = _____
interest for one year

_____ - _____ = _____
interest for one year compounded daily — interest for one year compounded semi-annually

2. How much more interest is earned on $200 at 6% if it is compounded daily instead of semi-annually. (Use the same procedure as you did in Problem 1) Show your work.

Name _____ Date _____

Activity 9 Worksheet

	COMMERCIAL BANK	SAVINGS & LOAN	CREDIT UNION
Name of Institution			
Deposits Insured?			
To What Amount?			
Interest Rate on Savings			
When is Interest Compounded?			
Interest Rate on Consumer Loans			
For What Purpose are Loans Granted?			
Are Check Writing Services Available?			
Amount of Service Charge on Checking			
Other Services			

In which institution would you choose to put your savings on deposit?

Why?

From which institution would you borrow?

Why?

In which institution would you have your checking account?

Why?

Name _____ Date _____

Self-Check

1. List the five factors given in this capsule that you should consider when selecting a financial institution.

   A.

   B.

   C.

   D.

   E.

2. What organization insures the deposits of a commercial bank?

3. What organization insures the deposits of a savings and loan?

4. Are credit union shares usually insured?

5. Up to what amount of each deposit does each of these organizations provide insurance?

6. Which financial institution usually pays the highest rate of interest on regular savings accounts?

7. Are interest rates on all kinds of savings plans the same?

8. What makes a certificate of deposit different from a regular savings account?

9. Which would pay more interest, a savings account paying 5% interest compounded semi-annually or one paying 5% interest compounded daily?

10. Which of the three financial institutions will usually charge the least amount of interest on a short-term loan?

LIFE SITUATION

Income and Occupation _____

Housing _____

Automobile _____

DEBTS

COMMERCIAL BANK

	Additions and Interest	Balance

SAVINGS AND LOAN

	Additions and Interest	Balance

CREDIT UNION

	Additions and Interest	Balance

SAVINGS

COMMERCIAL BANK

Withdrawals and Service Chgs.	Deposits and Interest	Balance

SAVINGS AND LOAN

CREDIT UNION

FINAL TABULATION

Life Situation Form

Money Owned

Cash _____

Balance in
Commercial Bank
Account _____

Balance in
Savings and Loan
Account _____

Balance in
Credit Union
Account _____

TOTAL _____

PASSBOOK

Debts Owed

Owed to
Commercial Bank
_____

Owed to
Savings and Loan
_____

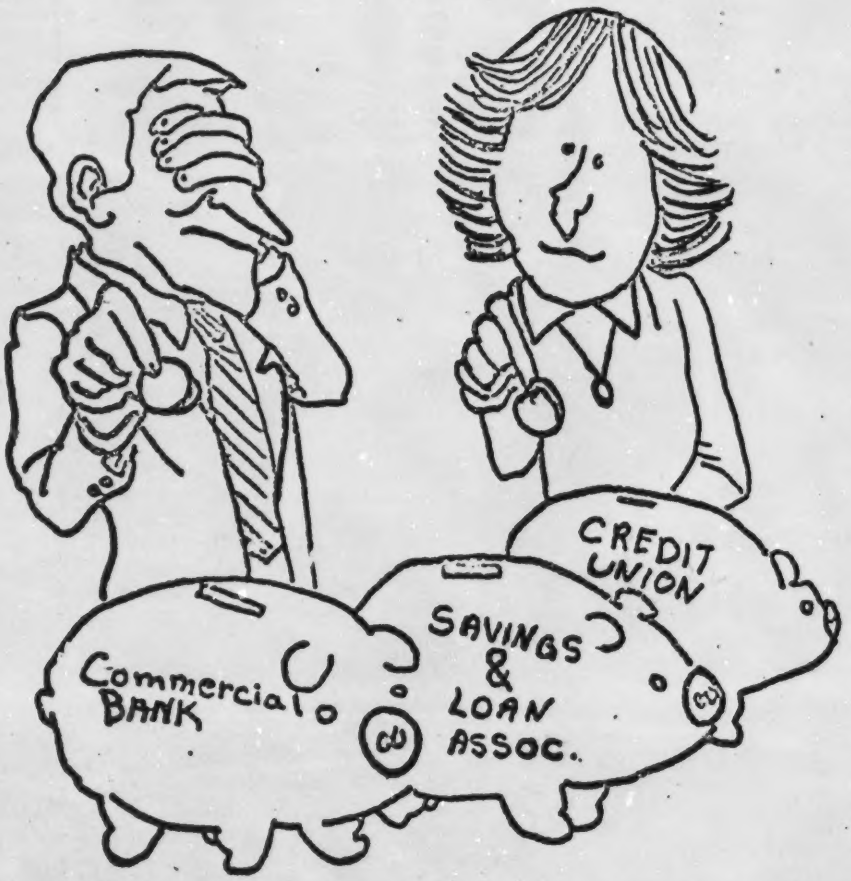
Owed to
Credit Union
_____

TOTAL _____

Subtract Total Debts from
Total Money owned _____

CHOOSING A FINANCIAL INSTITUTION

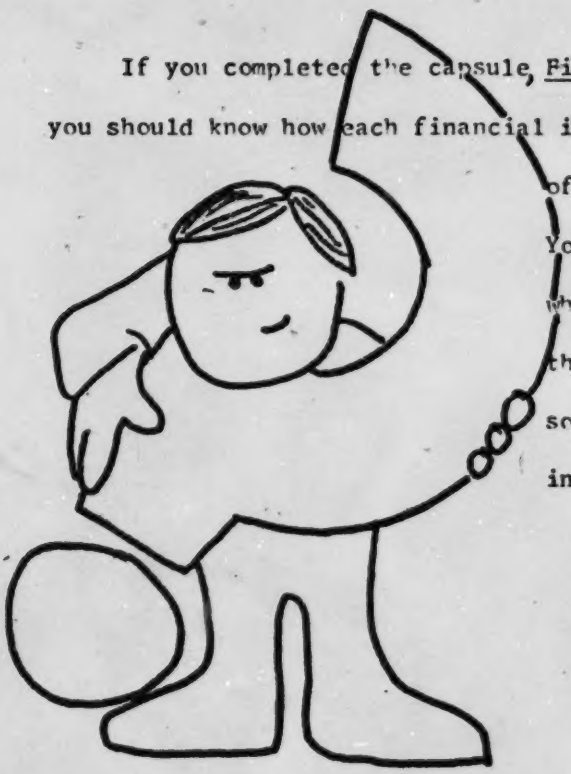
Student Material



Developed By:
Elaine Turner

As Part of
Project COST
ESEA Title IV
Kansas State Dept. of Education
USD 449
Easton, KS 66020

INTRODUCTION



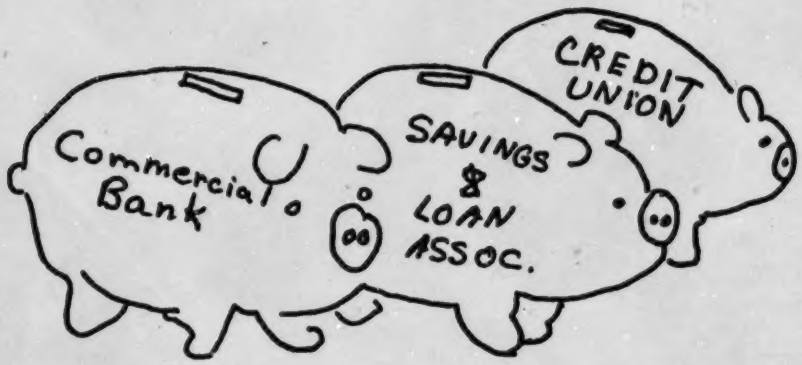
If you completed the capsule, Financial Institutions Investigated, you should know how each financial institution is organized and some of the services that each provides. You should now be ready to decide who should handle your money. In this capsule you will be looking at some of the considerations that go into this decision-making process.

After completing this capsule, you will be able to:

- $ Determine the financial institution(s) that would best meet your needs.

Before going on, you will take a pre-test which will show what you already know about financial institutions. After you have taken the pre-test, you may begin the capsule. Remember to read all information and instructions carefully.

What factors shall we consider when choosing a financial institution?



Turn the page to find out.

One factor most people consider when deciding which financial institution to use is convenience. Here are some of the questions you might ask yourself:

How close is it to work or home?

Is it possible to "bank by mail"?

Does it provide an automatic teller machine?

Do the hours correspond favorably with yours?

Are all services available at one location?

and finally:

How important is convenience to you?

Some people would rather suffer a small inconvenience to earn more interest on their savings or to pay less interest on a loan.

Interest. That's another factor you should consider when choosing a financial institution. You will first look at what interest rates the various institutions pay on savings accounts.

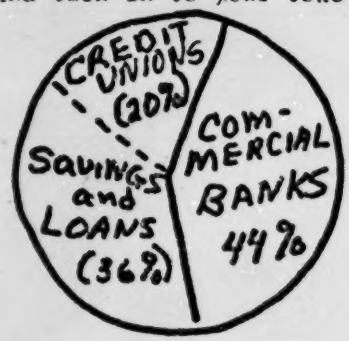
Interest rates can vary from commercial bank to commercial bank--from savings and loan to savings and loan--and from credit union to credit union so you should check with each institution you are considering. Some general observations can be made, however.

1. Most commercial banks now pay about 5% interest on regular passbook savings accounts.
2. Savings and loans are allowed by law to pay 1/4% more than commercial banks, so most savings and loans are now paying 5¼% on regular passbook savings.
3. Credit unions usually pay from 5½% to 8¼% on share (savings) accounts.

% NOW % DO % ALL % ACTIVITIES %

Activity I

There are still other factors to be considered, but from just what you have read so far, can you answer this question: (Use your own paper, label, and turn in to your teacher.)



COMMERCIAL BANKS PAY THE LOWEST INTEREST RATE, YET IN A RECENT YEAR 44% OF ALL SAVINGS DEPOSITS WERE IN COMMERCIAL BANKS. WHY???

Before we leave the subject of savings accounts, there are two other facts you should be aware of:

1. Banks as well as savings and loans will pay you a higher rate of interest under certain conditions: (1) if you will promise to leave your money on deposit for a specified length of time such as 5 years, 10 years, etc. (usually the longer the time the higher the interest rate.) and (2) if you deposit in amounts such as $500, $1,000, to $10,000. These are called CERTIFICATES OF DEPOSIT--or CD for short.

Activity 2

Your teacher will return to you the ads you collected in the Financial Institutions Investigated capsule. Find the ones that advertise certificates of deposit. Compare rates and minimum balances on a chart like the one below. You will find the form on a goldenrod sheet in the expandable folder in the front of the room. If your ads do not give you enough information to complete the chart, use the advertising brochures that will also be found in the expandable folder. Hand in both the ads and the chart after you complete Activity 3.

	Name of Institution	Minimum Balance ($)	Rate Available (%)
One-Year Certificate			
Savings and Loan #1			
Savings and Loan #2			
Commercial Bank #1			
Commercial Bank #2			
_____-Year Certificate			
Savings and Loan			
Commercial Bank			
___ _-Year Certificate			
Savings and Loan			
Commercial Bank			
Credit Union Share Accts.			

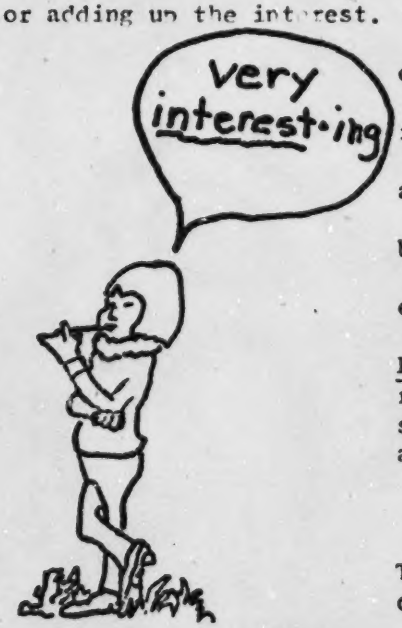
Because some of your savings should be immediately available to you for short-term goals such as new furniture or vacations and for emergencies, you should not put all of your savings into a certificate of deposit.

Activity 3

> Assume your rich uncle died and left you an inheritance of $5,000. You already have enough money in your savings account to take care of emergencies. Based on the information in your chart in Activity 2, write a paragraph on the bottom of Activity 2 Worksheet telling in which institution you would place the $5,000 and why. Hand in Activity 2 Worksheet.

We said that there were two facts you should be aware of about savings accounts. What was the first thing? (Look back to page 4 if you cannot remember.) Now for the second important fact--

2. All three institutions may have very different ways of computing or adding up the interest. This will affect slightly the total amount of interest you receive. Most financial institutions offer compound interest on savings accounts. Compound interest is computed on both the principal and the interest it has earned.



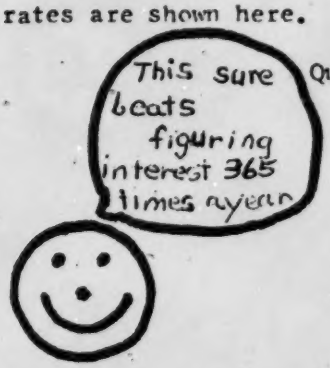
Example: I. M. Tightwad deposited $400 in a regular savings account that pays 5%, compounded semi-annually. At the end of six months, interest amounting to $10 is added to his $400.

($400 X .05 X 1/2) = $10
Principal X Rate X Time = Interest

The interest for the next six months will be computed on $410. ($410 X .05 X 1/2 = $10.25)

In recent years, some financial institutions have begun to compute compound interest daily. This has been made possible by the use of computers. Compounding the interest daily results in a larger amount of interest. The increase is small on small amounts but is quite substantial on large amounts.

Compounding interest daily results in an annual interest rate that is actually higher than the rate quoted. For example, if the rate quoted is 5¼% (5.25%) and the interest is compounded every day, the actual effective rate is 5.39%. Effective rates for some common rates are shown here.



Quoted Rate	Annual Effective Rate
5¼%	5.39%
5½%	5.73%
5 3/4%	6.00%
6%	6.27%

Example: U. C. Light deposited $400 in Leavenworth Mutual Savings and Loan, which pays 5¼% interest compounded daily.
(REMEMBER, 5¼% annual rate compounded daily = 5.39% effective rate.)
At the end of one year, $21.56 in interest will accumulate.

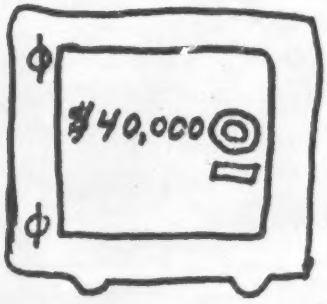
$400	X	.0539	X	1	=	$21.56
(Principal)	X	(Rate)	X	(Time)	=	(Interest)

Now do Activity 4 Worksheet and have it checked by your teacher before you go on to the next page.

Still another factor you should consider when choosing a financial institution is: How safe is my deposit? Deposits in most commercial banks are protected by insurance in case the bank should fail. The insuring agency is the Federal Deposit Insurance Corporation. The FDIC insures each depositor up to $40,000. There is a similar organization, FSLIC, which insures deposits in a savings and loan. Most credit union deposits are also protected with insurance. But whatever institution you're investigating, be sure deposits are protected by depositor's insurance.

Activity 5

Ask your teacher to return to you the adds collected in the previous capsule. Make a list on your own paper of the institutions in which deposits are insured. Give the name of the insuring organization. Hand in both the ads and your list.



Safety of Deposits Is Important

A fourth factor that most people consider when deciding which institution to use for their check writing fund is the service charge or fee. This fund could be a checking account in a commercial bank, a NOW account with a savings and loan, or a share account with a credit union that offers share drafts. Not all financial institutions charge a service fee, and among those that do, the charge can vary greatly. So, it is up to you, the consumer, to investigate and make an intelligent decision. If you're using a tranfer account of a commercial bank or a NOW account of a savings and loan, make sure the service charge doesn't cost you more than the interest on your account will earn.

Activity 6 (Please supply your own paper, and hand in when completed)

Some banks will not charge for writing checks if you maintain a certain balance ($100, $200, or $300)

QUESTION: Which would be more economical????

(1) Leaving $200 in the checking account so no fee will be charged

or

(2) Putting the $200 in a credit union share account that pays 8% interest annually

(Assume the service charge would average $3 per month.)

(Please show your calculations.)

SERVICE CHARGE ACTIVITIES

The following chart shows a typical method of computing service charges on a regular checking account:

Minimum Balance	Basic Monthly Charge	Charge per Check
Under $100	$.75	10¢
$100 - $199	.60	8¢
$200 - $299	.50	8¢
$300	free	free

Here is an example of how the chart is used:

			Service Charge
Minimum Balance $84.13		Basic Charge	.75
Number of Checks written, 20	(20 x 10¢)	Chg. for Checks	2.00
		Total Service Chg.	2.75

Using the chart above, find the amount of service charge for each of the following accounts:

1. Minimum balance, $120
   Number of checks, 15 _____

2. Minimum balance, $245.20
   Number of Checks, 28 _____

3. Minimum balance, $436.85
   Number of Checks, 56 _____

4. Minimum balance, $21.10
   Number of check, 30 _____

5. Minimum balance, $$112
   Number, of checks, 19 _____

Decisions, Decisions, Decisions. . . . . .

One more factor to consider when selecting a financial institution to borrow from, is the rate of interest charged on loans. If you belong to a credit union, it's almost a sure thing that they can lend the money to you at a lower rate of interest than any other lending institution. If you don't, you need to compare. Also, the type of loan you want may be a factor that will affect your decision somewhat. Perhaps one institution can fill one need better than another.

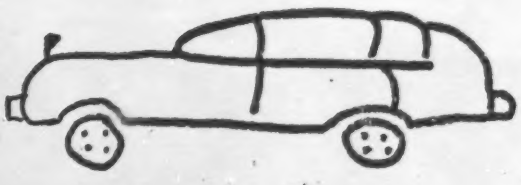
One reason people borrow is to purchase a home. You should remember from the previous capsule that savings and loans were organized for this very purpose, so this would be a likely place to investigate. Almost 60% of home mortgages in this country are through savings and loans. Just a few credit unions are now lending money for new home purchases. Commercial banks generally don't make a large number of home loans, but they would be a very likely place for you to obtain a loan to buy a new car, start a business, or borrow to buy a new TV. Credit unions will lend money to its members for just about any purpose.

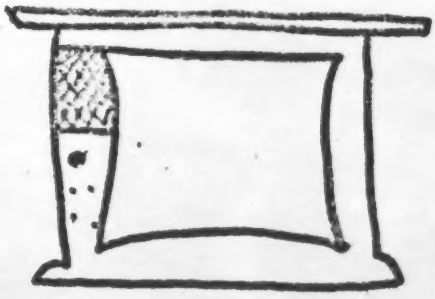
Activity 7

Using the information on file in the expandable folder from the financial institutions survey done in the previous capsule, make a chart comparing the cost of borrowing (student loan) $1000 from a bank, credit union, or savings and loan for one year.

or

Show the same information in the form of a bar graph.





Let's review what you have learned so far.

Decisions on what financial institutions to use are based on factors such as:

(1) convenience

(2) interest paid on savings

(3) service charges made

(4) safety of deposits

(5) interest charged on loans

Did one of these subjects interest you more than the others? Would you like to find out more?--about automatic teller machines, for example, or a more detailed explanation of credit union share drafts.

A list of four or five magazine articles has been prepared for you by your teacher. Find the list on a green activity sheet (No. 8) in the expandable folder in the front of the room. Choose one of the articles, and write a one-page summary on your own paper. After your selection has been approved by your teacher, she will tell you where to obtain the magazine.

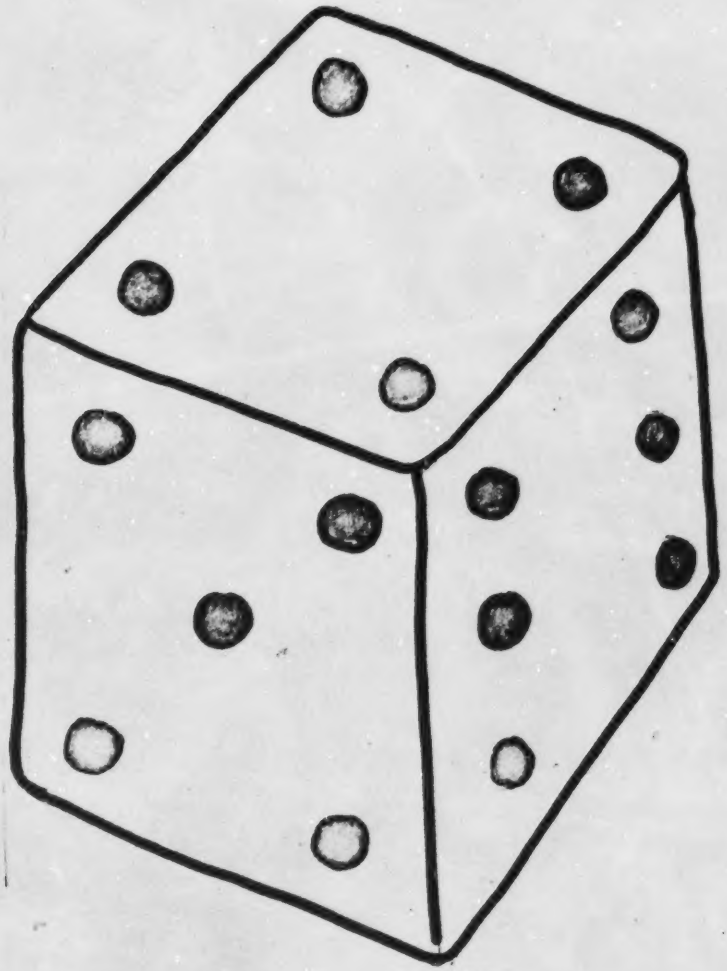
Activity 9

The activity sheets from Activities 11 and 12 of the Financial Institutions Investigated capsule are on file in the expandable folder in the front of the room. Find your reply or interview worksheet and select one from each of the other financial institutions. From the information on these, fill in the chart on Activity 9 Worksheet. Then answer the questions asked at the bottom of the page.

Now you must choose!

Activity 10

Let's play a game. If your teacher has the game equipment ready, find one, two, or three other members of the class who are finished with the capsule; follow the Game Rules; and HAVE FUN!!



Activity 10

MONEY, MONEY, WHO'S GOT YOUR MONEY

Game Rules

Number of players: 2, 3, or 4

Equipment: Gameboard
Life-situation forms
"Pass Cards"
Life-situation cards (income and occupation, housing, and auto)
Four different colored pawns and one dice
$500,000 in play money

Object of Game: To have the most money at the end of the game

How to Play:

1. Place "pass cards" in the "vault" space.
2. Give each player a pawn to place at "Home."
3. Decide who will play first.
4. Decide a time limit for the game (usually 30 minutes).
5. Each player determines "life situation by drawing one income and occupation card, one housing card, and one auto card.
6. Each player records his "life situation" on "life situation form."
7. Players throw dice, in turn, and move their pawn the number of spaces indicated on the dice.
8. Follow instructions on the square on which the pawn lands.
9. Make all choices carefully and in keeping with "life situation."
10. As "pass cards" are used, replace them on the bottom of stack in "vault."
11. If player lands on "Make Deposit" square, he may place any or all of the money he has on hand in the institution of his choice. (NOTE: Player must use "pass card" and join the credit union before he can save or borrow there.)
12. Each time a player borrows money, he must lose his next turn unless he has an "excellent credit rating" "pass card."
13. Record each deposit, each withdrawal, all interest paid and received, and all borrowing on "life situation" form.

At the End of the Game: Each player should subtract total debts from total money (Fill in blanks on back of "life situation form.") The player with the largest positive total wins the game.

Self-Check (Use pink answer sheet from expandable folder)

1. List the five factors given in this capsule that you should consider when selecting a financial institution.

   A.

   B.

   C.

   D.

   E.

2. What organization insures the deposits of a commercial bank?

3. What organization insures the deposits of a savings and loan?

4. Are credit union shares usually insured?

5. Up to what amount of each deposit does each of these organizations provide insurance?

6. Which financial institution usually pays the highest rate of interest on regular savings accounts?

7. Are interest rates on all kinds of savings plans the same?

8. What makes a certificate of deposit different from a regular savings account?

9. Which would pay more interest, a savings account paying 5% interest compounded semi-annually or one paying 5% interest compounded daily?

10. Which of the three financial institutions will usually charge the least amount of interest on a short-term loan?

BEST COPY AVAILABLE

QUEST ACTIVITIES

Activity No. 1

Read this clipping taken from a recent edition of the Kansas City Star and answer the following questions.

On Savings Certificates

By Janet Meyer
Financial Editor

After weeks of study, federal agencies moved Thursday to sharply curb the growth of money market certificates by cutting the maximum interest rate that savings institutions may pay on the certificates. The action may make the housing market tighter.

The money market certificates—or MMCs—were introduced last June, and by the end of January there already was $104 billion in MMCs outstanding. The certificates, available in minimums of $10,000, are tied to six-month Treasury bill rates.

The action, effective March 15, means that banks and savings and loans must compete head-on for municipal market certificate funds. That probably means less money will be available for the housing industry because savings and loans are the main supplier of funds to that market, largely because they can pay higher interest rates on savings.

"The charges are designed to reduce somewhat the cost of money market certificates and to moderate the flow of funds into thrift institutions in the current inflationary environment," stated the Federal Reserve Board, which is responsible for the nation's banks, and the Federal Home Loan Bank Board, which is responsible for savings and loan institutions. The two agencies were joined by the National Credit Union Administration and the Federal Deposit Insurance Corp. in making the decision.

By law, savings and loans can pay one-fourth of one percentage point more than banks can on savings. But under the actions announced Thursday, the interest rate differential will be reduced when rates on six-month Treasury bills reach 8.75 percent and will be eliminated when those T-bill rates hit 9 percent.

Banks now can pay 9.415 percent on the six-month MMCs and savings and loan can pay 9.665 percent, so the differential effectively will be eliminated.

The MMCs were introduced, largely at the behest of the savings and housing industries, to protect those industries from the withdrawals of savings that usually accompany rising interest rates. Typically when interest rates climb sharply, money that normally would go into savings accounts—and thus to the housing market—seeks a better return elsewhere.

The MMCs are widely credited with protecting the amount of savings coming into banks and savings and loans—and bolstering the housing market—over the last eight months.

But there has been growing concern about the impact of their steadily rising cost on the profitability of financial institutions, particularly savings and loans, as well as their impact on the economy and inflation. When MMCs were introduced last June the interest rate was about 7 percent, but since then it has at times risen above 10 percent.

As a result, although savings and loans and other financial institutions continued to offer the certificates, some put ceilings on the amount offered.

The new rules also prohibit compounding interest on the certificates.

1. By law savings and loans can pay _____ more than banks on savings.

2. Who is the main supplier of funds for the housing industry?

3. What Federal Institution is responsible for regulating the nation's banks?

4. Which institution is responsible for savings and loans institutions?

5. What other two agencies join them in making the decision to cut the maximum interest rate that savings institutions may pay on money market certificates?

   ** _____ and _____

6. In your own words explain how the actions described in this article could affect you as a consumer.

Activity No. 2

Using local telephone directories, make a listing in the three catagories of all the financial institutions in the area.

Activity No. 3

Create a comic strip around the theme "Tips for Savers" of "Tips for Borrowers."

Activity No. 4

Create a bulletin board around the theme of "Choosing a Financial Institution." Illustrate as many of the concepts presented in this capsule as you can.

Activity No. 5

Research the Truth in Lending law, and prepare a one-page report.